



Performance Perspective

Report #6

CITY OF SEATTLE

March 7, 1997

Performance Perspective is a periodic newsletter issued by the Office of City Auditor. The purpose of these newsletters is to highlight general management principles or to disclose successful, useful or problematic program management issues. Please send your comments, suggestions, questions or concerns regarding these reports to Nora Masters, City Auditor, MS 01-11-01, telephone (206) 233-0088.

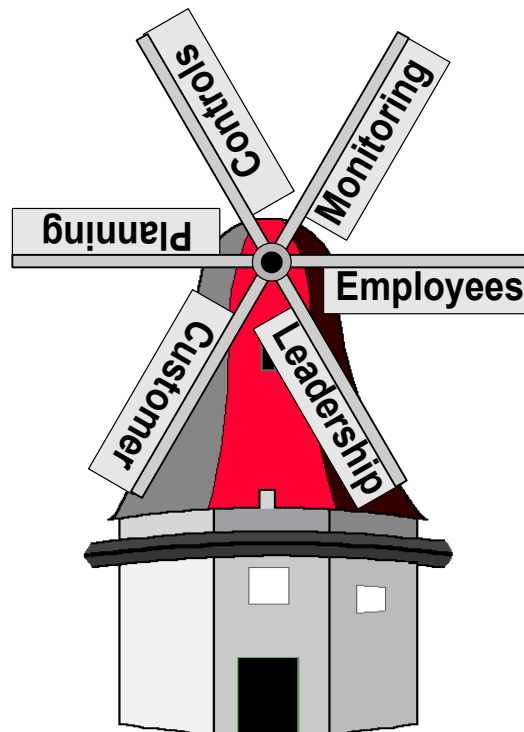
Different Frameworks: Same Goals

Our last newsletter, Creating A High Performance Program: The Performance Framework, described a generic approach to designing a performance framework. In this newsletter, we focus on five specific performance frameworks which organizations are using to improve their operations: Peter Senge's Deep Learning Framework, the Criteria for the Malcolm Baldrige Award (one of the highest honors for organizational quality), the COCO and COSO Models, and the Twelve Attributes. Although we taught the COSO model in training sessions we offered in May 1995, November 1996, and January 1997, the other four models provide equally valuable performance frameworks. All five models place a greater emphasis on **informal controls** (for example, leadership, competence) than past models which stressed compliance with formal accountability systems. In addition, the five models focus on much the same concerns:

- strong **leadership** from the top down, particularly in establishing ethical standards and organizational values, defining the organization's mission, prioritizing its principal objectives, and setting clear performance expectations;
- effective **planning**, which focuses on constantly evaluating risks to the organization's mission and how to avoid or overcome these risks;
- strong focus on **customer** satisfaction;
- competent, well-trained, ethical **employees** with appropriate information, understanding and authority to perform the work and improve the processes for which they are responsible;
- appropriate **controls** (the formal accountability system), built **into** rather than **onto** the organization's operating processes, to allow employees to cope routinely with known risks with

reasonable assurance of success at reasonable cost yet allow employees sufficient flexibility to deal with changing conditions;

- regular systematic **monitoring** of the organization's changing external environment (for example, customers, suppliers, regulators), internal environment (employees, operating processes, organizational priorities) and performance, with appropriate follow-up and adjustments.

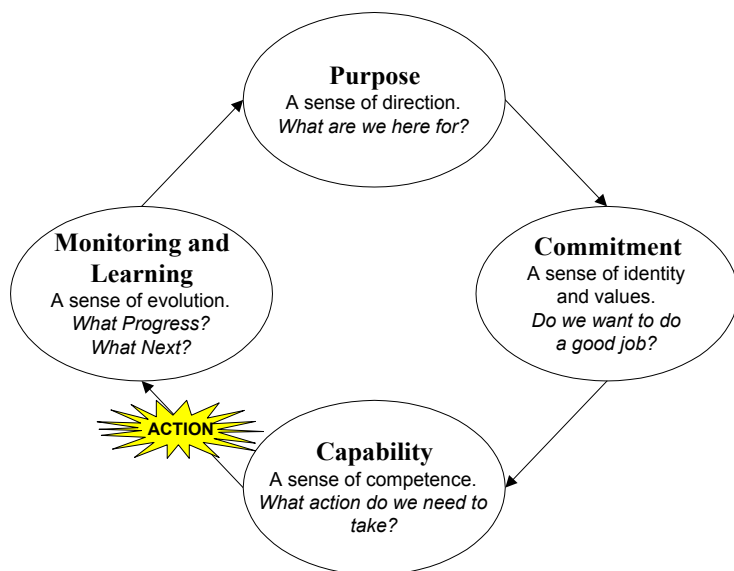


Although the five performance frameworks we discuss below share these concerns, organizations will differ in the details of how to achieve them. Some executives provide leadership by walking the factory floor while others speak only with the employees they manage directly. Because organizations have different missions and responsibilities, we do not expect identical management processes. Instead, managers must tailor their performance frameworks to the unique needs of their organizations. Although some functions are so basic that we can list specific features which we expect (in fact, we do in *Performance Perspective* #3: *Cash Handling*), in general, good performance requires that each organization develop its performance framework in a thoughtful and thorough manner, not just doing things according to some long-established set of processes. At the same time, applying a performance framework does not necessarily require

throwing out wholesale the present management approach with its own routines and vocabulary. Rather, it is generally possible to modify the current management approach into an improved performance framework. Many Total Quality Management (TQM) approaches, in fact, fit closely within a performance framework, and the criteria for the Malcom Baldrige Award-overlap nicely with many management approaches.

Each of these five models is a different entry point into the same governance, accountability, and effectiveness territory--COSO and COCO enter through the prism of control, the Criteria for Malcolm Baldrige through the prism of quality, the Twelve Attributes through the prism of performance, and Peter Senge through the prism of learning. Each framework--any framework--can only provide a partial picture; but each provides valuable insights, improves one's understanding of an organization, and improves one's ability to make predictions about the organization's future and enhances its accountability. Many people are coming to a realization that real understanding about an organization can only come from adopting multiple perspectives, making use of several tools, and using more than one framework. A wealth of knowledge and experience is reflected in each of these five models. Each provides value but can only tell part of a story.□

Framework 1: COCO (The Committee on Control) Model
(developed by the Canadian Institute of Chartered Accountants)



Purpose

Establish and communicate objectives. Identify significant internal and external risks which the organization faces in achieving its objectives. Establish, communicate and practice policies which support achieving the organization's objectives and managing its risks and ensure that people understand expectations and the scope of their freedom to act.

Commitment

Establish shared principles of integrity and ethical values. Clearly define authority and accountability.

Capability

Provide people the necessary knowledge, skills and tools to accomplish the organization's objectives. Establish and communicate plans to guide efforts to achieve the organization's objectives. Coordinate decisions and actions of different parts of the organization.

Monitoring and Learning

Monitor performance, and periodically re-assess organizational assumptions. Establish follow-up procedures.

Framework 2: Criteria for The Malcolm Baldrige Award



Leadership

Senior executive leadership; management for quality; and public responsibility and corporate citizenship.

Information and Analysis

Scope and management of quality and performance information, competitive comparisons and benchmarking; and analysis and use of organization-wide data.

Strategic Quality Planning

Both the process for strategic quality planning and organization performance planning and the plans themselves.

Human Resource Development and Management

Human resource planning and management; employee involvement; employee education and training; employee performance and recognition; and employee well-being and satisfaction.

Management of Process Quality

The design and introduction of quality products and services; process management; supplier quality; and quality assessment.

Customer Focus and Satisfaction

Customer expectations; customer relationship management; commitment to customers; and customer satisfaction determination.

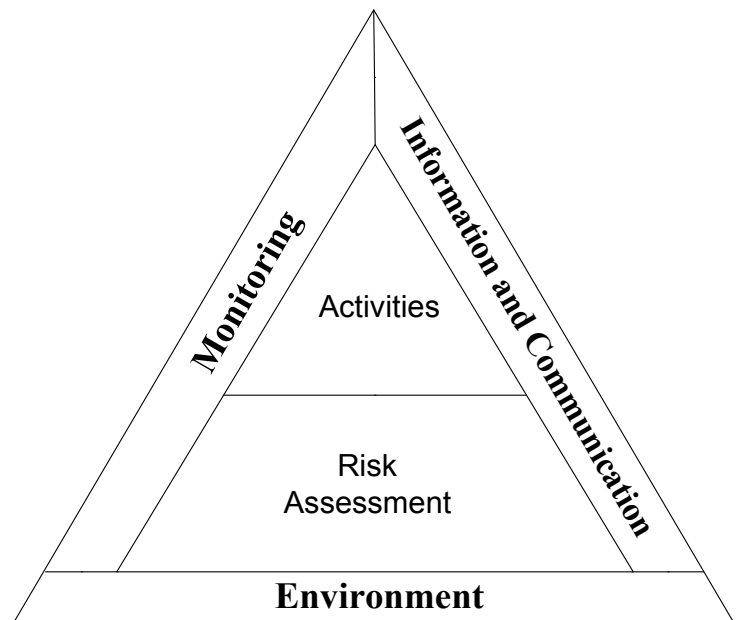
Recent Publications Issued by the Office of City Auditor

- ☑ Rethinking Management Accountability Workshop, January 26-27, 1997.
- ☑ Patrol Officer Deployment 1991 - 1995, December 31, 1996.
- ☑ Transportation Financial Management: Revenue Forecasting and Expenditure Management Are Improving, November 5, 1996.
- ☑ Transportation Expenditures: Compliance And Controls Are Good But Can Be Improved, November 5, 1996.
- ☑ Comparison of In-House Costs and Private Sector Prices for Selected Vehicle Maintenance Services, October 30, 1996.

If you are interested in receiving any of these reports, please call the Office of City Auditor at 684-8888, or visit our website (See back).

Framework 3: Peter Senge's Deep Learning Framework

Framework 4: COSO (The Committee of Sponsoring Organizations) Model *(developed by the major accounting and auditing professional organizations in the United States)*



Framework 5: The CCAF Twelve Attributes

☐ Management Direction

Objectives of an organization, its component programs or lines of business, and its employees, are clear, well-integrated and understood, and appropriately reflected in the organization's plans, structure, delegations of authority and decision-making process.

☐ Relevance

A program or line of business continues to make sense in regard to the problems or conditions to which it is intended to respond.

☐ Appropriateness

The design of a program or its major components, and the level of effort being made, are logical given the specific objectives to be achieved.

☐ Achievement Of Intended Results

Goals and objectives have been realized

☐ Acceptance

Constituencies or customers for whom a program or line of business is designed judge it to be satisfactory

☐ Secondary Impacts

Other significant consequences, either intended or unintended and either positive or negative, have occurred.

☐ Financial Results

The matching of, and the accounting for, revenues and costs and the accounting for and valuation of assets, liabilities, and equity.

☐ Working Environment

The organization provides and appropriate work atmosphere for its employees, provides appropriate opportunities for development and achievement, and promotes commitment, initiative and safety.

☐ Protection of Assets

Important assets--e.g., sources of supply, valuable property, key personnel, agreements, and important records or information--are safeguarded so that the organization is protected from the danger of losses that could threaten its success, credibility, continuity and, perhaps, its very existence.

☐ Monitoring and Reporting

Key matters pertaining to performance and organizational strength are identified, monitored, and reported.

☐ Costs and Productivity

The relationship between costs, inputs and outputs.

☐ Responsiveness

An organization's ability to adapt to changes in such factors as markets, competition, available funding or technology.

Policymakers, management and staff can use these models to create a credible and valuable picture. To do so, they need:

1. An understanding of the framework they are using, how its pieces interrelate, and its limitations.
2. An appreciation of the subtleties of organizational life, and an in-depth knowledge of the particular organization that is being painted.
3. A clear idea of who the viewers are likely to be, their needs and expectations. Will they be satisfied after gaining an overall impression, or will they want to explore the details of some of the smaller pictures within the larger pictures?
4. Sensitive perceptual and conceptual skills, and an awareness of their own biases and blind spots.

Organizations are coming to the realization that real understanding can only come from adopting multiple perspectives, making use of several tools, and using more than one framework. Each of these frameworks provide valuable insights and help organizations improve their and ability to make predictions about the future, and enhance accountability.

The challenge in designing any system is to achieve an effective balance in holding management accountable, using resources efficiently and effectively, and ensuring public confidence.□

The Office of City Auditor is Pleased to Announce the Opening of Our New Website

<http://www.pan.ci.seattle.wa.us/seattle/audit/hpg.htm>

(Located under City Auditor in the Pan Directory)

This site includes:

| | | | | |
|---|---|---|---|--|
|  City of Seattle Office of City Auditor Nora J. E. Masters, City Auditor | <u>Publications Since 1993</u> |  | <u>Whistle Blowers Page</u> |  |
| |  Audit Reports  Consultations & Trainings  Performance Perspective |  <u>The Audit Protocol</u> |  | <u>Links to Other Audit Offices And Related Sites</u> <u>About the Office of City Auditor</u> Our Mission & Our Vision |

LATE BREAKING NEWS: On February 25, 1997 the State Auditor's Office informed the City that it plans to use the COSO model in evaluating the City's systems.